



2017 Half year results

20 Jul 2017

Sustained good performance

- Sales of CHF 2,483 million, up 2.3% on a like-for-like basis and 6.4% in Swiss francs
- Project pipeline and win rates sustained at a high level
- EBITDA of CHF 597 million in 2017
- EBITDA margin declined to 24.0% from 27.3% in 2016
- Net income of CHF 384 million, up 4.5% year-on-year
- Free cash flow of 5.3% of sales, compared to 7.4% in 2016
- Givaudan Business Solutions entering implementation phase

Business performance

Givaudan Group sales for the first six months of the year were CHF 2,483 million, an increase of 2.3% on a like-for-like basis and 6.4% in Swiss francs.

Fragrance Division sales were CHF 1,137 million, an increase of 0.1% on a like-for-like basis and 0.4% in Swiss francs.

Flavour Division sales were CHF 1,346 million, an increase of 4.4% on a like-for-like basis and 12.0% in Swiss francs.

Givaudan continued the year with good business momentum and with the project pipeline and win rates being sustained at a high level. This good growth was achieved against strong prior year comparables for the same period in 2016, particularly in the Fragrance Division. The Company continues to implement price increases in collaboration with its customers to compensate the increases in input costs.

Gross profit

The gross profit increased by 3.6% from CHF 1,093 million in 2016 to CHF 1,132 million in 2017. Continued productivity gains partially offset the impact of the Spicetec business, acquired in July 2016. The gross margin decreased to 45.6% in 2017 from 46.8% in 2016.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

The EBITDA decreased by 6.5% to CHF 597 million from CHF 638 million for the same period in 2016. The Group continued to exercise strong discipline over operating expenses. In 2017, the Group incurred costs of CHF 24 million linked to the implementation of the Givaudan Business Solutions programme. As a reminder, in the first six months of 2016, the Group recognised a one-off non-cash gain of CHF 55 million related to changes in pension plans. When measured in local currency terms, the EBITDA decreased by 5.3%. The EBITDA margin decreased to 24.0% in 2017 from 27.3% in 2016.

Operating income

The operating income decreased by 2.3% to CHF 489 million from CHF 500 million for the same period in 2016. When measured in local currency terms, the operating income decreased by 0.9%. The operating margin decreased to 19.7% in 2017 from 21.4% in 2016.

Financial performance

Financing costs were CHF 21 million in the first half of 2017, versus CHF 27 million for the same period in 2016, with lower interest rates compensating for the increase in net debt in the Group. Other financial expense, net of income, was CHF 17 million in 2017 versus CHF 18 million in 2016.

The interim period income tax expense as a percentage of income before taxes was 15% in 2017, compared with 19% in 2016 for the same period.

Net income

The net income for the first six months of 2017 was CHF 384 million compared to CHF 368 million in 2016, an increase of 4.5%. This results in a net profit margin of 15.5% versus 15.7% in 2016. Basic earnings per share were CHF 41.70 versus CHF 40.00 for the same period in 2016.

Cash flow

Givaudan delivered an operating cash flow of CHF 269 million for the first six months of 2017 compared to CHF 237 million in 2016.

Working capital was relatively stable at 27.4% of sales compared to 26.9% in 2016.

Total net investments in property, plant and equipment were CHF 96 million, compared to CHF 33 million incurred in 2016, largely driven by the timing of expenditure on two large capital projects in Switzerland and in India. Intangible asset additions were CHF 27 million in 2017, compared to CHF 12 million in 2016. Total net investments in tangible and intangible assets were 5.0% of sales, compared to 1.9% in 2016.

Operating cash flow after net investments was CHF 146 million, versus the CHF 192 million recorded in 2016. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 132 million in the first half of 2017, versus CHF 174 million for the comparable period in 2016. As a percentage of sales, free cash flow in the first six months of 2017 was 5.3%, compared to 7.4% in 2016.

Financial position

Givaudan's financial position remained strong at the end of June 2017. Net debt at June 2017 was CHF 1,429 million, up from CHF 930 million at

During the first six months of 2017 the Group refinanced the Group revolving credit facility for an amount of CHF 750 million, one year in advance of the maturity date of the previous facility.

Givaudan Business Solutions

As announced in July 2016, and in line with the 2020 strategy, the Group is now entering the implementation phase of Givaudan Business Solutions (GBS), a global organisational unit providing best in-class internal processes and services.

GBS will increase internal efficiencies and leverage best practices from across the organisation, enabling the Group to 'deliver with excellence'.

The Group will make an investment of CHF 170 million until mid-2020, in order to transition to the GBS organisational structure and way of working. The investment will generate annual recurring savings of CHF 60 million once fully implemented and will allow Givaudan to continue investing in growth and innovation.

2020 guidance: Responsible growth. Shared success.

The Company's 2020 ambition is to create further value through profitable, responsible growth. Capitalising on the success of the 2011-2015 strategy, Givaudan's 2020 ambition is built on the three strategic pillars of 'growing with our customers', 'delivering with excellence', and 'partnering for shared success'.

Ambitious financial targets are a fundamental part of Givaudan's strategy. We aim to outpace the market with 4-5% sales growth and a free cash flow of 12-17% of sales, both measured as an average over the five-year period of our strategy cycle. It is Givaudan's intention to maintain its current dividend practice as part of this ambition.

Key figures

For the six months ended 30 June, in millions of Swiss francs except per share data

	2017	2016
Group sales	2,483	2,334
- Fragrance sales	1,137	1,132
- Flavour sales	1,346	1,202
Gross profit	1,132	1,093
- as % of sales	45.6%	46.8%
EBITDA ^a	597	638
- as % of sales	24.0%	27.3%
Operating income	489	500
- as % of sales	19.7%	21.4%
Income attributable to equity holders of the parent	384	368
- as % of sales	15.5%	15.7%
Earnings per share – basic (CHF)	41.70	40.00
Earnings per share – diluted (CHF)	41.37	39.62
Operating cash flow	269	237
- as % of sales	10.8%	10.2%
Free cash flow	132	174
- as % of sales	5.3%	7.4%

in millions of Swiss francs, except for employee data	30 June 2017	31 December 2016
- Current assets	2,428	2,343
- Non-current assets	4,189	4,171
Total assets	6,617	6,514
- Current liabilities	1,641	959
- Non-current liabilities	1,916	2,262
- Equity	3,060	3,293
Total liabilities and equity	6,617	6,514
Number of employees	10,701	10,476

a. EBITDA: Earnings Before Interest (and other financial income (expense), net), Tax, Depreciation and Amortisation.

This corresponds to operating income before depreciation, amortisation and impairment of long-lived assets.

	2016 Sales	LFL	Acquisition impact	Currency	2017 Sales	Change% LFL*	Change% in CHF
Group	2,334	54	111	(16)	2,483	2.3%	6.4%
- Fragrance	1,132	1	-	4	1,137	0.1%	0.4%
- Flavour	1,202	53	111	(20)	1,346	4.4%	12.0%

LFL = Like-for-like, which excludes the impact of currency, acquisitions and disposals

Fragrance Division

Fragrance Division sales were CHF 1,137 million, an increase of 0.1% on a like-for-like basis and an increase of 0.4% in Swiss francs, compared with an increase of 9.7% and 10.7% respectively for the same period in 2016.

Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased by 0.6% on a like-for-like basis, compared with 10.4% in 2016. In Swiss francs, sales of compounds increased to CHF 987 million from CHF 977 million.

Fine Fragrance sales decreased by 0.4% on a like-for-like basis against a strong prior year comparable of 11.1%.

Consumer Products sales increased by 0.8% on a like-for-like basis against a high prior year comparable of 10.2%.

Sales of Fragrance Ingredients and Active Beauty decreased by 2.7% on a like-for-like basis with Active Beauty showing good sales growth and Fragrance Ingredients showing a lower level of sales than prior year.

The EBITDA decreased to CHF 276 million in 2017 compared to CHF 351 million for the first six months of 2016. In the first six months of 2017 the division incurred costs associated with the GBS project of CHF 24 million, whilst as a reminder, the division recognised a one-off non-cash gain of CHF 55 million in the first six months of 2016, following a change in pension plans. The EBITDA margin decreased to 24.2% in 2017 from 31.0% in 2016.

The operating income decreased by 19.7% to CHF 231 million in 2017, versus CHF 287 million for the same period in 2016. The operating margin decreased to 20.3% in 2017 from 25.4% in 2016.

Fine Fragrances

Fine Fragrance sales decreased 0.4% on a like for like basis against strong comparable with double-digit growth recorded last year for the same time period. Solid new business gains were offset by higher erosion in key markets.

On a regional basis, growth delivered in mature markets was offset by lower sales in high growth markets. In the mature markets, sales growth in Western Europe was favourably impacted by a strong inflow of new business and established volume gains. This growth more than offset lower sales in North America due to the particularly high comparable. In the high growth markets, a combination of new business and volume growth in Asia and the Middle East was not sufficient to compensate the lower sales in Latin America, which were negatively impacted by the economic market conditions.

At the major award ceremonies in the USA and Europe a number of Givaudan fragrances were recognised including: Tom Ford Soleil Blanc, Tom Ford Vert D'Encens, Tom Ford Vert des Bois, John Varvatos Artisan Blu and Comme Des Garçons Black Pepper. In addition, Narciso Rodriguez For Her was elected best feminine fragrance of the last 25 years at the award ceremony in France.

Consumer Products

Consumer Products sales increased by 0.8% on a like-for-like basis against high prior year comparables, especially in high growth markets. All customer groups and all product segments in mature markets contributed to the growth as well as international customers in high growth markets.

Latin America increased against last year double-digit sales growth driven by strong performance of local and regional customers in all sub-regions. Sales in Asia decreased versus a double-digit prior year comparable, a decline driven by North and South East Asia, whilst the sub-region of South Asia reported double-digit growth. In Europe, Africa and Middle East, the sales increase was spread across all customer groups and main product segments. North America delivered a solid growth through all customer groups and major product segments.

On a product segment basis, sales growth was driven by strong increase in home care followed by oral care.

Fragrance Ingredients and Active Beauty

Sales of Fragrance Ingredients and Active Beauty decreased by 2.7% on a like-for-like basis. Active Beauty showed good sales growth driven by local and regional customers across the main regions however this was not sufficient to offset the sales decrease in Fragrance ingredients.

Flavour Division

Flavour Division sales were CHF 1,346 million during the first six months of 2017, an increase of 4.4% on a like-for-like basis and an increase of 12.0% in Swiss francs compared to 2016. Including Spicetec, acquired in July 2016 and Activ International, acquired in January 2017, the growth was 13.6% in local currency.

The sales performance was driven by new wins and existing business expansion in North America, Europe, Middle East and Africa, as well as in Asia.

From a segment perspective, Dairy, Savoury and Beverages all contributed to the positive sales performance.

The EBITDA increased to CHF 321 million in 2017 from CHF 287 million for the first six months of 2016. The EBITDA margin was 23.9% in 2017, at the same level as the comparable period in 2016, with strong cost discipline offsetting the margin dilution impact from the acquired businesses. The operating income increased to CHF 258 million in 2017 from CHF 213 million for the same period in 2016. The operating margin increased to 19.2% in 2017 compared to 17.7% in 2016.

Sales in Asia Pacific increased 1.9% on a like-for-like basis driven by the high growth markets of India, Thailand and the Philippines, offsetting the slower sales momentum in China. The mature markets of Japan, Australia and Singapore all delivered good results. From a segment perspective there was good growth in Dairy, Sweet Goods and Beverages mainly as a result of new wins.

Europe, Africa and Middle East

Sales increased 4.7% on a like-for-like basis, with double-digit growth in Turkey, Egypt, South Africa and Nigeria and single-digit growth in the markets of Central and Eastern Europe contributing to the regional performance. The mature markets of Western Europe grew moderately led by the UK and Italy. Within the segment performance there was good growth in Savoury and Beverages which both contributed to the positive growth.

Latin America

Sales decreased 1.6% in Latin America on a like-for-like basis, against a strong comparable of 16.7% in 2016. Good sales momentum in Argentina and Mexico was offset by the negative growth in Brazil, which had a strong first half in 2016.

North America

Sales across North America increased 8.9% on a like-for-like basis, against a weaker comparable period in 2016. The strong growth was led by new wins and growth of existing business in Dairy, Beverages and Savoury.

The 2017 Half Year Report can be downloaded on www.givaudan.com.

A conference call will be broadcasted on www.givaudan.com on 20 July 2017 at 15:00 CET.

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CNBC interview with Gilles Andrier

A webcast of the conference call for investors and analysts took place at 15:00 CET.

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